

# Texas Transportation Commission Quarterly Investment Report



February 28, 2021



An aerial photograph of a city, likely Dallas, showing a complex highway interchange with multiple lanes and overpasses. The city skyline is visible in the background with various skyscrapers. The entire image has a blue color cast. Overlaid on the center of the image is the text "Connecting You with TEXAS".

Connecting  
*You* with **TEXAS**

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# Management's Certification of the Quarterly Investment Report

I certify that I have reviewed the Quarterly Investment Report as of and for the quarter that ended February 28, 2021 prepared on behalf of the Texas Transportation Commission (the Commission). To the best of my knowledge and belief:

- In all material respects, the Investment Report was prepared in accordance, with the guidelines presented in Texas Government Code, Chapter 2256 (Public Funds Investment Act) and Section 9.0 of the Commission's investment policy. The investments have been accorded consistent treatment in accordance with generally accepted accounting principles.
- There have been no material misrepresentations in the report by the inclusion or exclusion of information.
- An effective system of internal controls has been established to ensure that material financial information is recorded in the accounting system and properly reported in the report, and there were no material weaknesses in internal controls during the period covered by the report.
- An independent accountant's report on agreed-upon procedures to review management's compliance with the Public Funds Investment Act is conducted annually. The report is presented to the Commission.

DocuSigned by:



E5670E9944BB433...  
Stephen Stewart

Chief Financial Officer

Investment Officer

DocuSigned by:



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Benjamin H. Asher

Director, Project Finance, Debt & Strategic Contracts Division

Investment Officer

DocuSigned by:

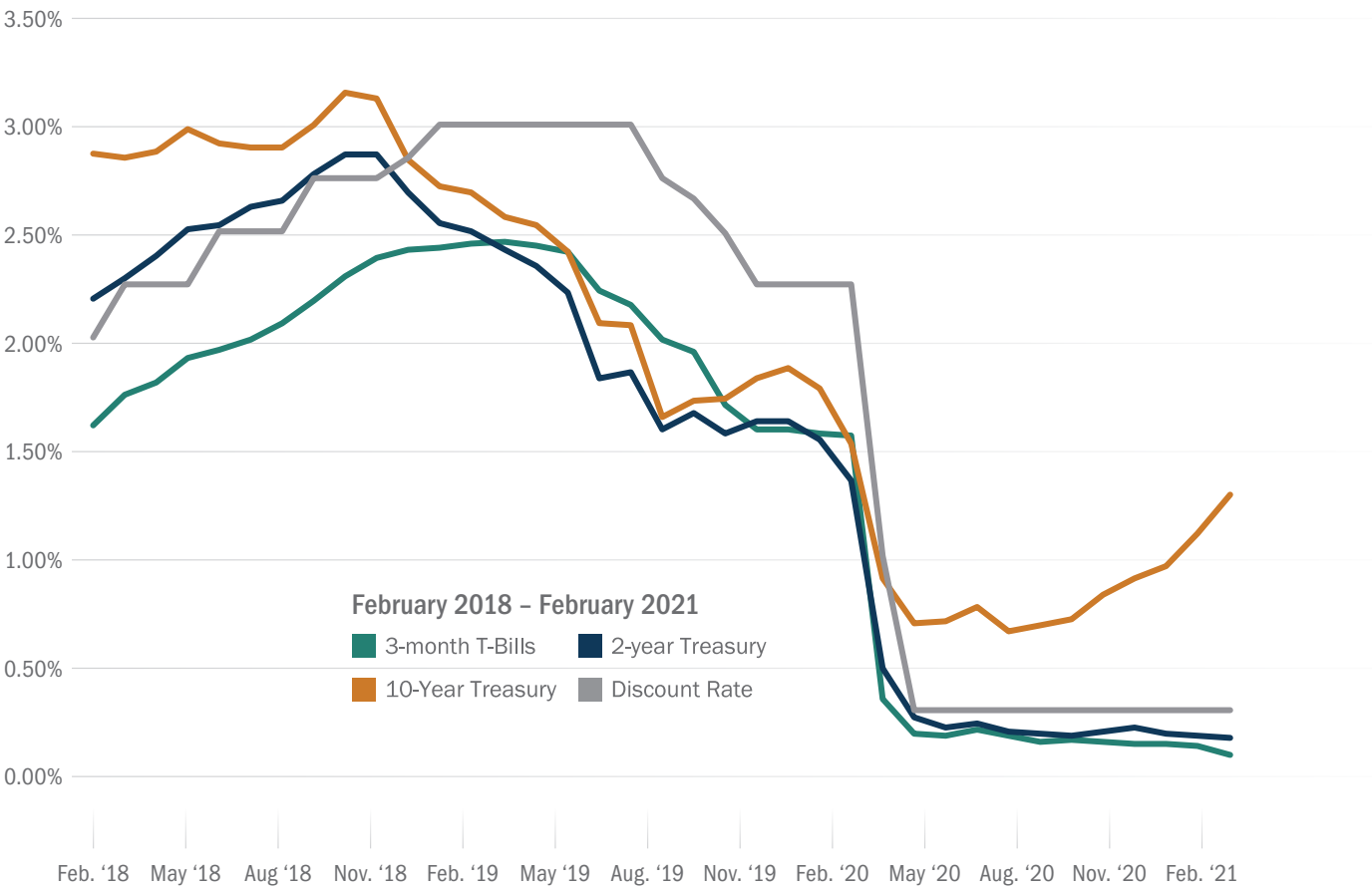


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Jennifer Wright

Project Finance & Debt Director

Investment Officer

# U.S. Treasury Historical Yields





# Central Texas Turnpike System Funds

## MANAGEMENT DISCUSSION

In 2002, the Commission entered an Indenture of Trust establishing funds and accounts related to the financing of the 2002 Project of the Central Texas Turnpike System (CTTS). CTTS investments are held by The Bank of New York Mellon, acting as trustee. The funding of investments includes bond proceeds, capital contributions for the purpose of financing the 2002 Project, revenues derived from operation of CTTS toll roads, and related investment earnings.

Suitable investments have been selected using the following criteria and priorities pursuant to the Commission's investment policy and the CTTS investment strategy:

- 1) Suitability of the investment to the financial requirements of the entity;
- 2) Preservation and safety of principal;
- 3) Liquidity;
- 4) Marketability of the investment if the need arises to liquidate the investment before maturity;
- 5) Diversification of the investment portfolio; and
- 6) Yield.

The investment instruments described in Schedule 1 are in compliance with the Texas Public Funds Investment Act, the Commission's investment policy, and the CTTS investment strategy.

## INVESTMENT ACTIVITY

Investment income for the quarter: \$1,780,632, yield 1.04%.

The Guaranteed Investment Contract is intended to be held to the maturity date of August 15, 2022.

## CURRENT STRATEGY

The Capital Contributions account is invested to match planned expenditures. The investment strategy, however, remains guided by the following principles: safety of principal, liquidity, and yield, in that order.

## CURRENT MARKET CONDITIONS

U.S. Treasury yields reflect monthly averages for February 2021 as posted by the Federal Reserve.

- 3-Month Treasury: 0.04%
- 2-Year Treasury: 0.12%
- 10-Year Treasury: 1.26%
- Discount Rate: 0.25%

# CTTS Schedule 1 – Investments

Income for Quarter: \$1,780,632

Yield for Quarter: 1.04%

Description	Yield	Maturity Date	Book Value	Fair Value <sup>1</sup>
<i>Liquid Investments</i>				
<i>Money Market</i>				
Morgan Stanley Govt MMKT Fund	0.03%	N/A	\$ 28,940,132	\$ 28,940,132
JP Morgan Govt MMKT Fund	0.03%	N/A	53,690,707	53,690,707
<i>TexPool <sup>2</sup></i>				
Local Government Investment Pool	0.04%	N/A	76,161,354	76,161,354
Prime	0.10%	N/A	141,410,367	141,410,367
<i>Lone Star Investment Pool <sup>2</sup></i>				
Government Overnight Fund	0.03%	N/A	2,224,871	2,224,871
<i>U.S Government Securities</i>				
Freddie Mac Agency Notes	0.27%	08/23/23	20,007,400	20,007,400
Freddie Mac Agency Notes	0.27%	08/23/23	20,007,400	20,007,400
Freddie Mac Agency Notes	0.63%	11/25/25	19,802,000	19,802,000
Freddie Mac Agency Notes	0.63%	11/25/25	19,802,000	19,802,000
<i>Guaranteed Investment Contract <sup>3</sup></i>				
Citigroup Global Markets Inc. GIC (CUSIP S86538450)	5.20%	08/15/22	114,999,379	114,999,379
<i>Accounts Held by Texas Treasury Safekeeping Trust Company</i>				
Operating, Maint. and Reserve Maint.	0.01%	N/A	35,180,720	35,180,720
<i>Accounts Held by the Comptroller</i>				
Operating, Maint. and Reserve Maint.	0.45%	N/A	95,349,279	95,349,279
			<b>\$ 627,575,609</b>	<b>\$ 627,575,609</b>

## Notes:

<sup>1</sup> For the quarter, (\$453,364) was booked for changes in the Fair Value of investments. All investments are intended to be held to maturity.

<sup>2</sup> These local government investment pools seek to maintain a one dollar per share, as required by the Texas Public Funds Investment Act.

<sup>3</sup> This security was purchased under the terms of a forward purchase agreement that was executed in August 2002 at rates that were currently available at that time.

Fair Values are reported on monthly account statements. Totals may not add up due to rounding.

# CTTS Schedule 2 – Allocation by Account

11/30/20

Description	Revenue Fund	1st Tier Interest Account	1st Tier Principal Account	1st Tier Debt Service Reserve	2nd Tier Interest	2nd Tier Debt Service Reserve	Rate Stabilization Fund	Capital Contribution Account	Accounts Held by Comptroller	Accounts Held by TTSTC <sup>(C)</sup>	Portfolio Total
JP Morgan Government MM	11,456,824	807	36,482,161	-	-	-	-	1	-	-	\$ 47,939,792
Morgan Stanley Government MM	-	-	-	-	57,868,562	581	-	-	-	-	\$ 57,869,143
U.S. Treasury Notes	-	-	-	5,975,764	-	-	-	-	-	-	\$ 5,975,764
U.S. Treasury Bill	-	-	-	-	-	-	-	-	-	-	\$ -
U.S. Government Agency	-	-	-	-	-	40,023,200	40,023,200	-	-	-	\$ 80,046,400
U.S. Government Agency Discount Notes	-	-	-	-	-	-	-	-	-	-	\$ -
Lone Star Government	-	-	-	-	-	-	-	10,835,064	-	-	\$ 10,835,064
TexPool Government	61,667,895	540,706	-	1,271,936	-	13,198,393	-	-	-	-	\$ 76,678,930
TexPool Prime	-	35,185,689	-	-	-	-	27,937,308	95,534,112	-	-	\$158,657,108
Guaranteed Investment Contract	-	-	-	114,999,379	-	-	-	-	-	-	\$114,999,379
Accounts Held by Comptroller	-	-	-	-	-	-	-	-	128,053,383	-	\$128,053,383
Accounts Held by TTSTC	-	-	-	-	-	-	-	-	-	25,505,146	\$ 25,505,146
<b>Totals</b>	<b>73,124,719</b>	<b>35,727,201</b>	<b>36,482,161</b>	<b>122,247,079</b>	<b>57,868,562</b>	<b>53,222,174</b>	<b>67,960,508</b>	<b>106,369,176</b>	<b>128,053,383</b>	<b>25,505,146</b>	<b>\$ 706,560,109</b>

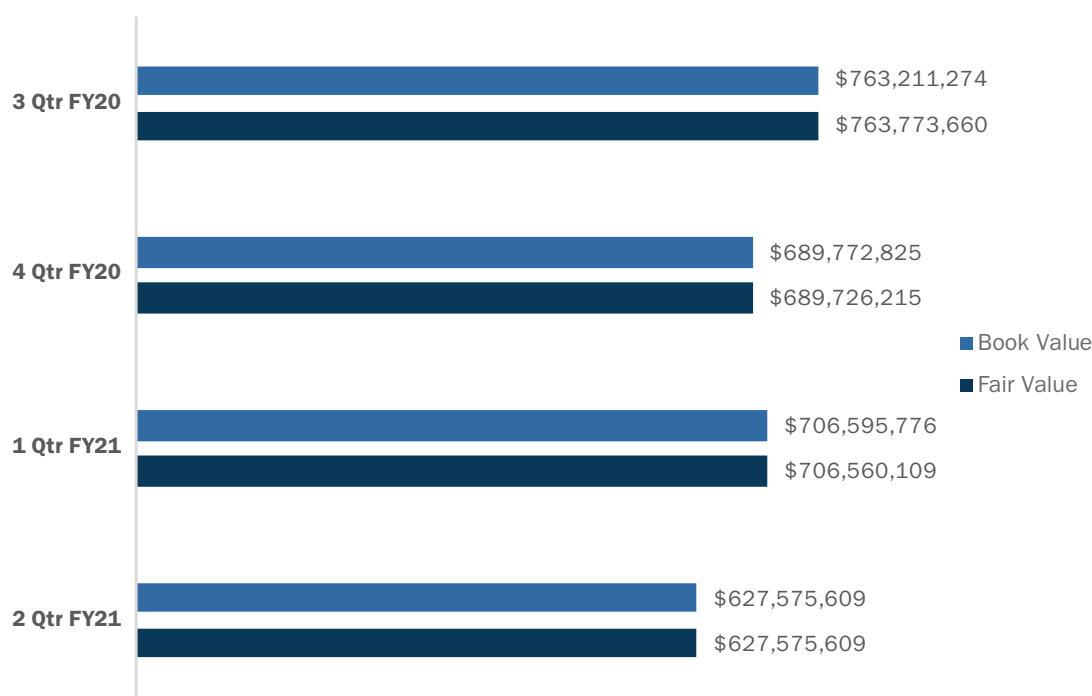
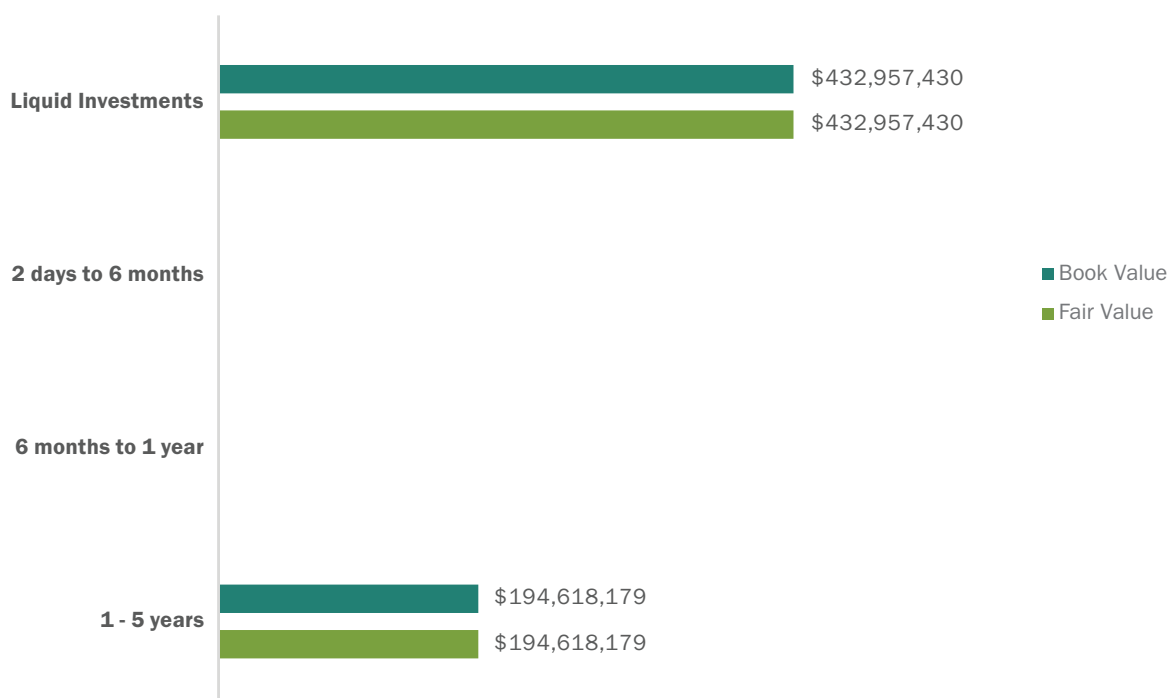
2/28/21

Description	Revenue Fund	1st Tier Interest Account (A)	1st Tier Principal Account	1st Tier Debt Service Reserve	2nd Tier Interest (B)	2nd Tier Debt Service Reserve	Rate Stabilization Fund	Capital Contribution Account	Accounts Held by Comptroller	Accounts Held by TTSTC <sup>(C)</sup>	Portfolio Total
JP Morgan Government MM	8,232,351	19	36,484,480	8,973,700	-	-	158	-	-	-	\$ 53,690,707
Morgan Stanley Govt MM	-	-	-	-	28,939,463	669	-	-	-	-	28,940,132
U.S. Treasury Notes	-	-	-	-	-	-	-	-	-	-	-
U.S. Treasury Bills	-	-	-	-	-	-	-	-	-	-	-
U.S. Government Agency	-	-	-	-	-	39,809,400	39,809,400	-	-	-	79,618,800
U.S. Government Agency Discount Notes	-	-	-	-	-	-	-	-	-	-	-
Lone Star Government	-	-	-	-	-	-	340	2,224,531	-	-	2,224,871
TexPool Government	61,684,255	-	-	1,272,291	-	13,204,808	-	-	-	-	76,161,354
TexPool Prime	-	17,881,944	-	-	-	-	27,952,090	95,576,333	-	-	141,410,367
Guaranteed Investment Contract	-	-	-	114,999,379	-	-	-	-	-	-	114,999,379
Accounts Held by Comptroller	-	-	-	-	-	-	-	-	95,349,279	-	95,349,279
Accounts Held by TTSTC	-	-	-	-	-	-	-	-	-	35,180,720	35,180,720
<b>Totals</b>	<b>69,916,606</b>	<b>17,881,963</b>	<b>36,484,480</b>	<b>125,245,370</b>	<b>28,939,463</b>	<b>53,014,877</b>	<b>67,761,987</b>	<b>97,800,864</b>	<b>95,349,279</b>	<b>35,180,720</b>	<b>\$ 627,575,609</b>

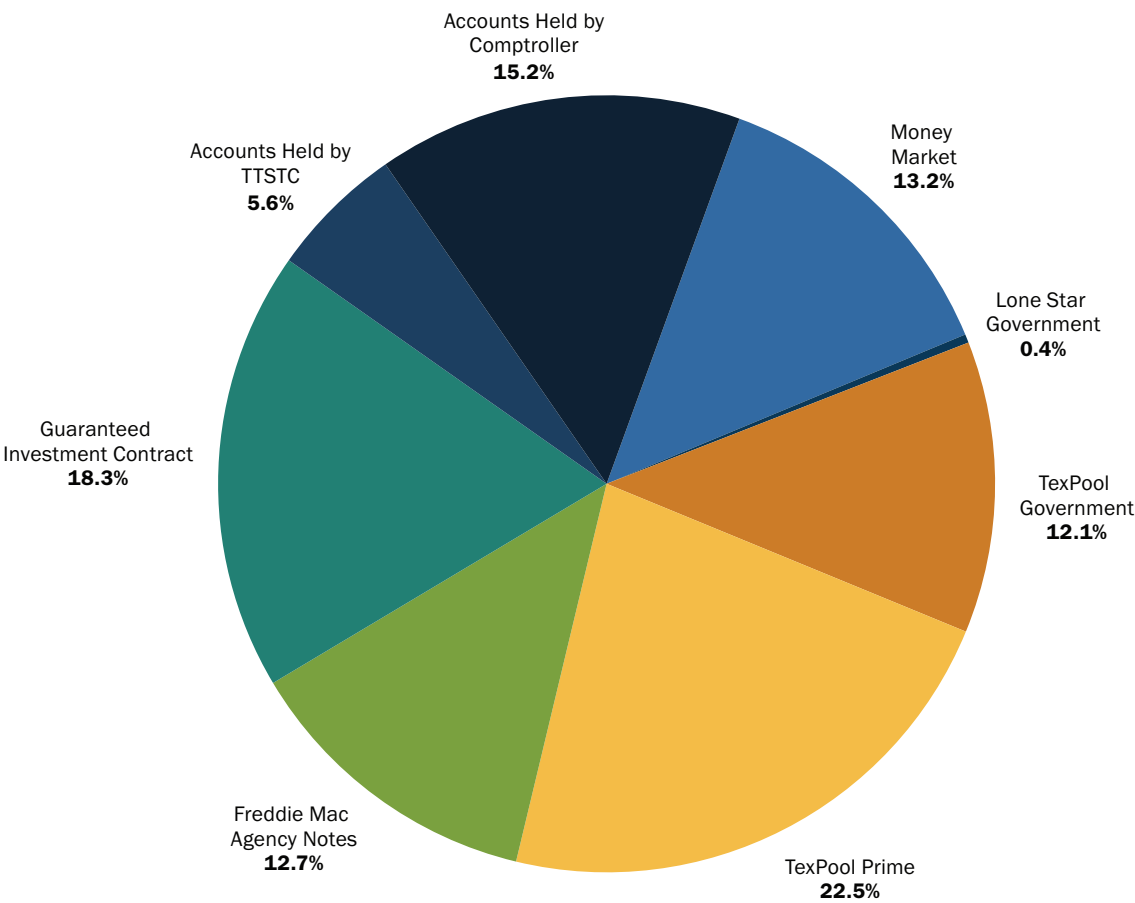
Note <sup>(A)</sup> - In February, \$17.9 million in debt service was paid.Note <sup>(B)</sup> - In February, \$28.9 million in debt service was paid.Note <sup>(C)</sup> - TTSTC - Texas Treasury Safekeeping Trust Company

Fair Values as reported on monthly account statements. Totals may not add up due to rounding.

## CTTS Schedule 3 – Maturity Distribution and Quarter End Comparison



# CTTS Schedule 4 – Investments by Security Type



■ Money Market	\$82,630,839
■ Lone Star Government	2,224,871
■ TexPool Government	76,161,354
■ TexPool Prime	141,410,367
■ Freddie Mac Agency Notes	79,618,800
■ Guaranteed Investment Contract	114,999,379
■ Accounts Held by TTSTC	35,180,720
■ Accounts Held by Comptroller	95,349,279

**Total Investments (Fair Value) \$627,575,609**



# I-35E Project

## MANAGEMENT DISCUSSION

In 2016, the Commission entered a trust agreement with Amegy Bank, securing the toll revenue obligations of and in connection with the financing of the I-35E Managed Lanes Project. On November 3, 2016, the Commission executed a loan agreement (TIFIA Loan) with the United States Department of Transportation pursuant to the Transportation Infrastructure Finance and Innovation Act to finance a portion of the I-35E Managed Lanes Project.

Suitable investments have been determined using the following criteria and priorities pursuant to the Commission's investment policy and the I-35E Managed Lanes Project investment strategy:

- 1) Suitability of the investment to the financial requirements of the entity;
- 2) Preservation and safety of principal;
- 3) Liquidity;
- 4) Marketability of the investment if the need arises to liquidate the investment before maturity;
- 5) Diversification of the investment portfolio; and
- 6) Yield.

Investments in this portfolio for Type I funds must be an eligible investment pursuant to the TIFIA Loan agreement. Type I funds include the Revenue Fund, Debt Service Fund, and General Fund.

## INVESTMENT ACTIVITY

Interest and investment income for the quarter: \$60,414, yield 0.33%.

## CURRENT STRATEGY

Investment of this portfolio is determined by the cash flow projections for the various funds and accounts. The strategy, however, remains guided by the following principles: safety of principal, liquidity, and yield, in that order.

## CURRENT MARKET CONDITIONS

U.S. Treasury yields reflect monthly averages for February 2021 as posted by the Federal Reserve.

- 3-Month Treasury: 0.04%
- 6-Month Treasury: 0.06%
- 1-Year Treasury: 0.07%
- 2-Year Treasury: 0.12%

# I-35E Schedule 1 – Investments

Income for Quarter: \$60,414  
Yield for Quarter: 0.33%

Description	Yield	Maturity Date	Book Value	Fair Value <sup>1</sup>
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## Liquid Investments

Fidelity Treasury Portfolio	0.01%	N/A	\$ 588,656	\$ 588,656
LOGIC Investment Pool <sup>2</sup>	0.10%	N/A	40,378,568	40,378,568

## U.S. Treasuries and Agencies

U.S. Treasury Notes	0.45%	07/31/21	3,027,657	3,027,657
Fannie Mae Agency Notes	0.35%	08/24/23	10,005,035	10,005,035
Freddie Mac Agency Notes	0.40%	02/26/24	9,964,543	9,964,543
Freddie Mac Agency Notes	0.50%	12/09/24	5,001,195	5,001,195
Fannie Mae Agency Notes	0.56%	10/28/25	\$ 4,947,831	4,947,831
			<b>\$ 73,913,486</b>	<b>\$ 73,913,486</b>

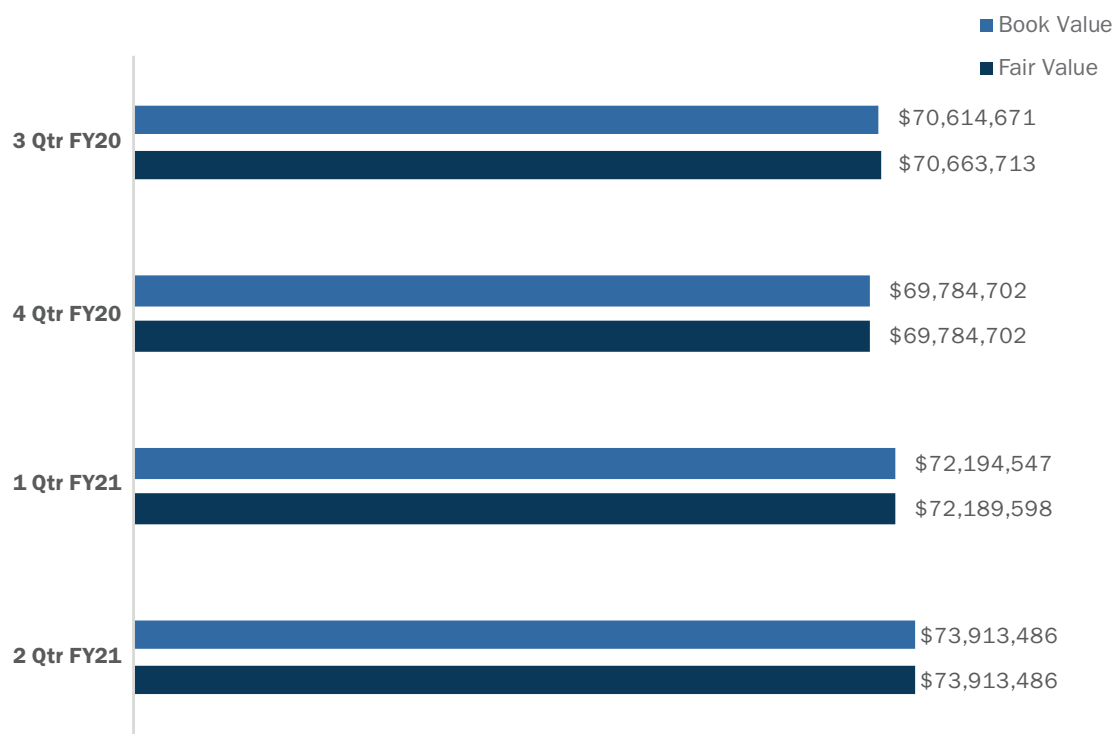
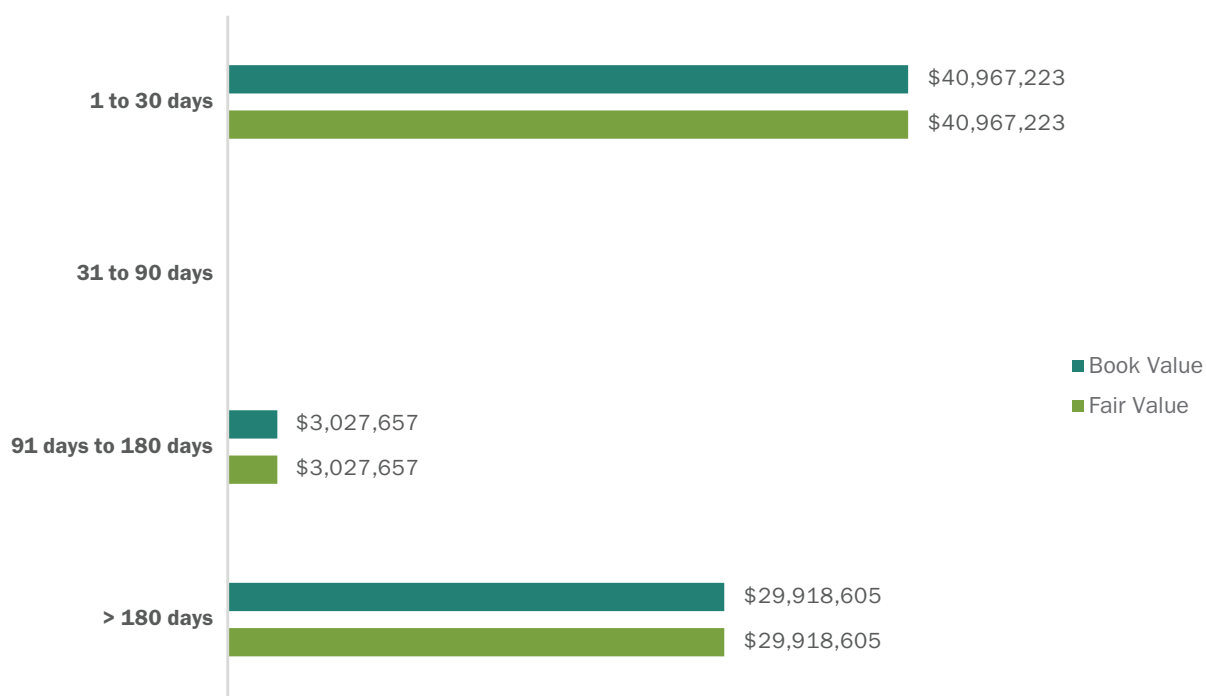
### Notes:

<sup>1</sup> For the quarter, (\$51,404) was booked for changes in the Fair Value of investments. All investments are intended to be held to maturity.

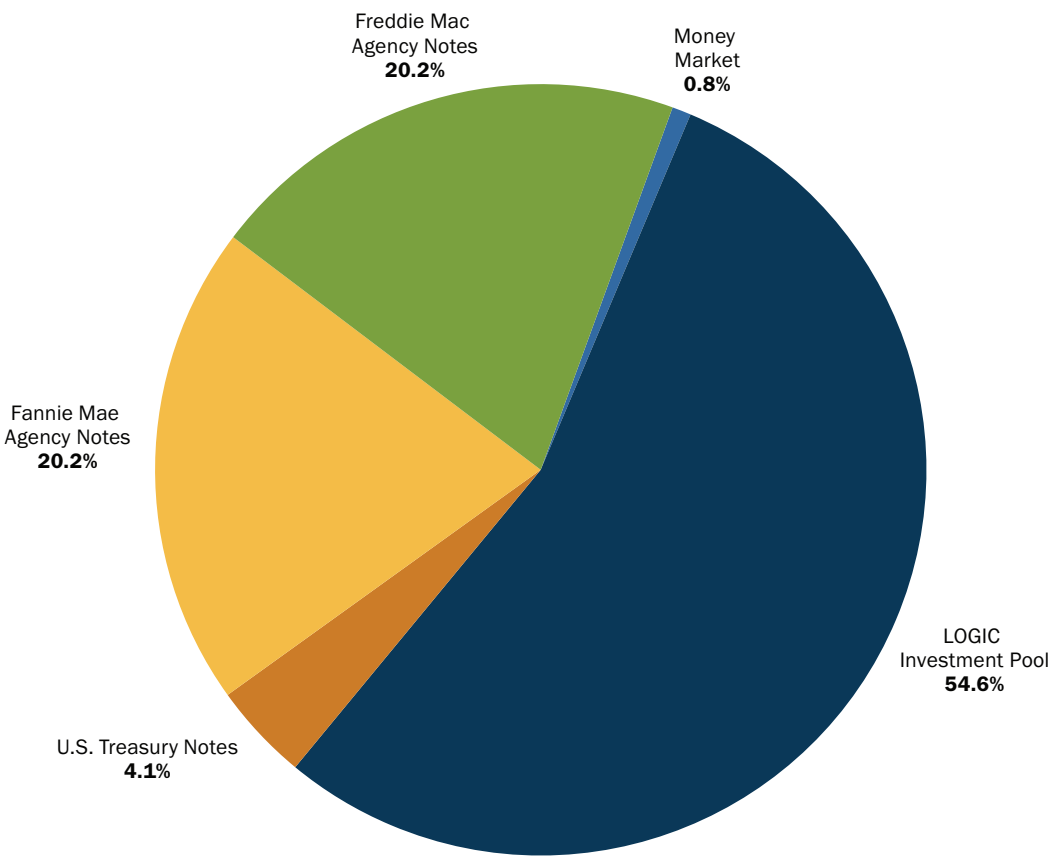
<sup>2</sup> This local government investment pool seeks to maintain a one dollar per share, as required by the Texas Public Funds Investment Act.

Fair Values are reported on monthly account statements. Totals may not add up due to rounding.

# I-35E Schedule 2 – Maturity Distribution and Quarter End Comparison



# I-35E Schedule 3 – Investments by Security Type



■ Money Market	\$588,656
■ LOGIC Investment Pool	40,378,568
■ U.S. Treasury Notes	3,027,657
■ Fannie Mae Agency Notes	14,952,867
■ Freddie Mac Agency Notes	14,965,739

**Total Investments (Fair Value) \$73,913,486**



# Prepaid TxTag Account

## MANAGEMENT DISCUSSION

In 2007, the Texas Department of Transportation entered a Master Lockbox and Custodial Account Agreement securing funds from the operation of certain toll roads including the Prepaid TxTag Account funds. Investments of the Prepaid TxTag Account are held by The Bank of New York Mellon, acting as custodian.

Suitable investments have been determined using the following criteria and priorities pursuant to the Commission's investment policy and the Prepaid TxTag investment strategy:

- 1) Suitability of the investment to the financial requirements of the entity;
- 2) Preservation and safety of principal;
- 3) Liquidity;
- 4) Marketability of the investment if the need arises to liquidate the investment before maturity;
- 5) Diversification of the investment portfolio; and
- 6) Yield.

Investments in this portfolio are restricted to:

- 1) U.S. Treasury and other government obligations that carry the full faith and credit guarantee of the United States for the payment of principal and interest;
- 2) Federal Agency or U.S. government sponsored enterprises (GSE) obligations, participations or other instruments; and
- 3) Securities and Exchange Commission registered money market funds.

Further restrictions on the portfolio include:

- 1) Only 20% of the custodial account can be investment with a final maturity not to exceed two years from the date of purchase.
- 2) Maximum weighted average maturity for the investments may not exceed 240 days at any time.

The investment instruments described in Schedule 1 are in compliance with the Texas Public Funds Investment Act, the Commission's investment policy, and the Prepaid TxTag Account investment strategy.

## INVESTMENT ACTIVITY

Interest and investment income for the quarter: \$8,338, yield 0.08%.

## CURRENT STRATEGY

Invest the portfolio for diversification into 6-9 month maturity sector. The strategy, however, remains guided by the following principles: safety of principal, liquidity and yield, in that order.

## CURRENT MARKET CONDITIONS

U.S. Treasury yields reflect monthly averages for February 2021 as posted by the Federal Reserve.

- 3-Month Treasury: 0.04%
- 6-Month Treasury: 0.06%
- 1-Year Treasury: 0.07%
- 2-Year Treasury: 0.12%

# TxTag Schedule 1 – Investments

Income for Quarter: \$8,338

Yield for Quarter: 0.08%

Description	Yield	Maturity Date	Book Value		Fair Value <sup>1</sup>	
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## Liquid Investments

BlackRock FedFund MM	0.00%	N/A	\$	56,400,849	\$	56,400,849
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## U.S Government Securities

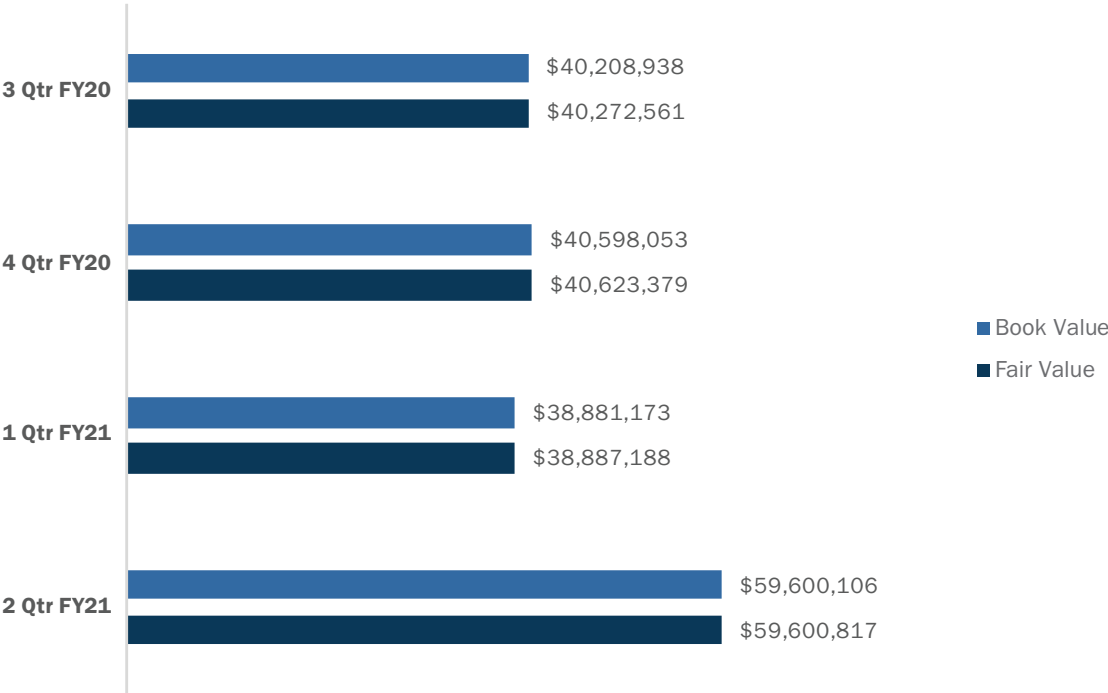
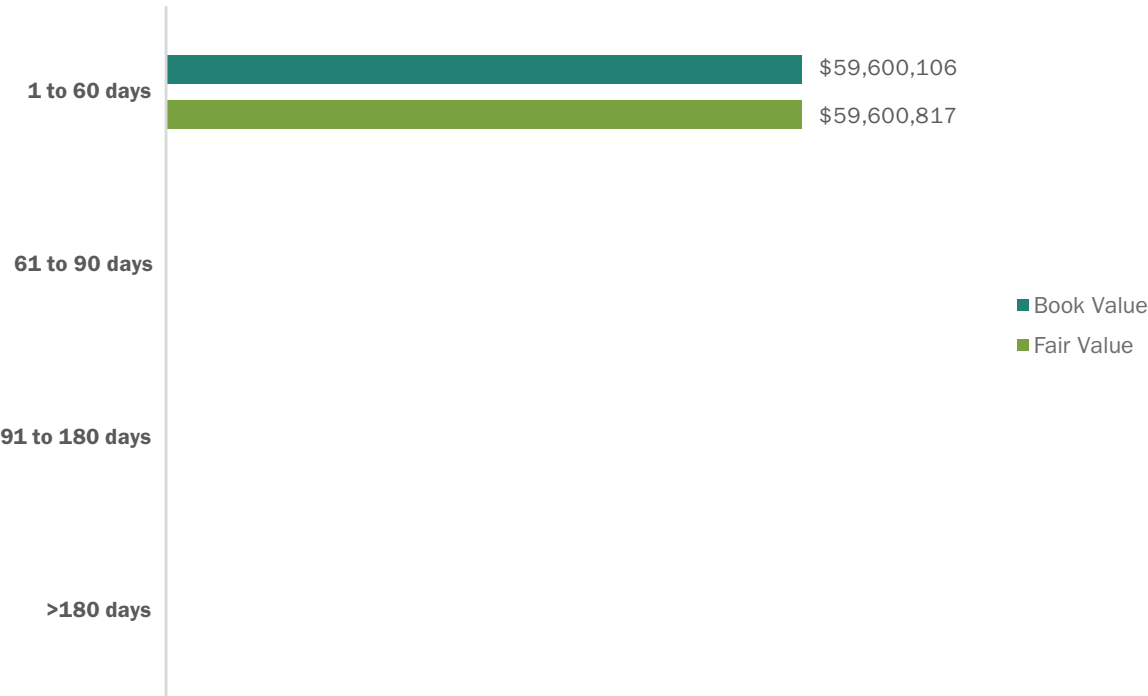
Federal Home Loan Discount Notes	0.45%	03/19/21		3,199,257		3,199,968
			\$	59,600,106	\$	59,600,817

### Notes:

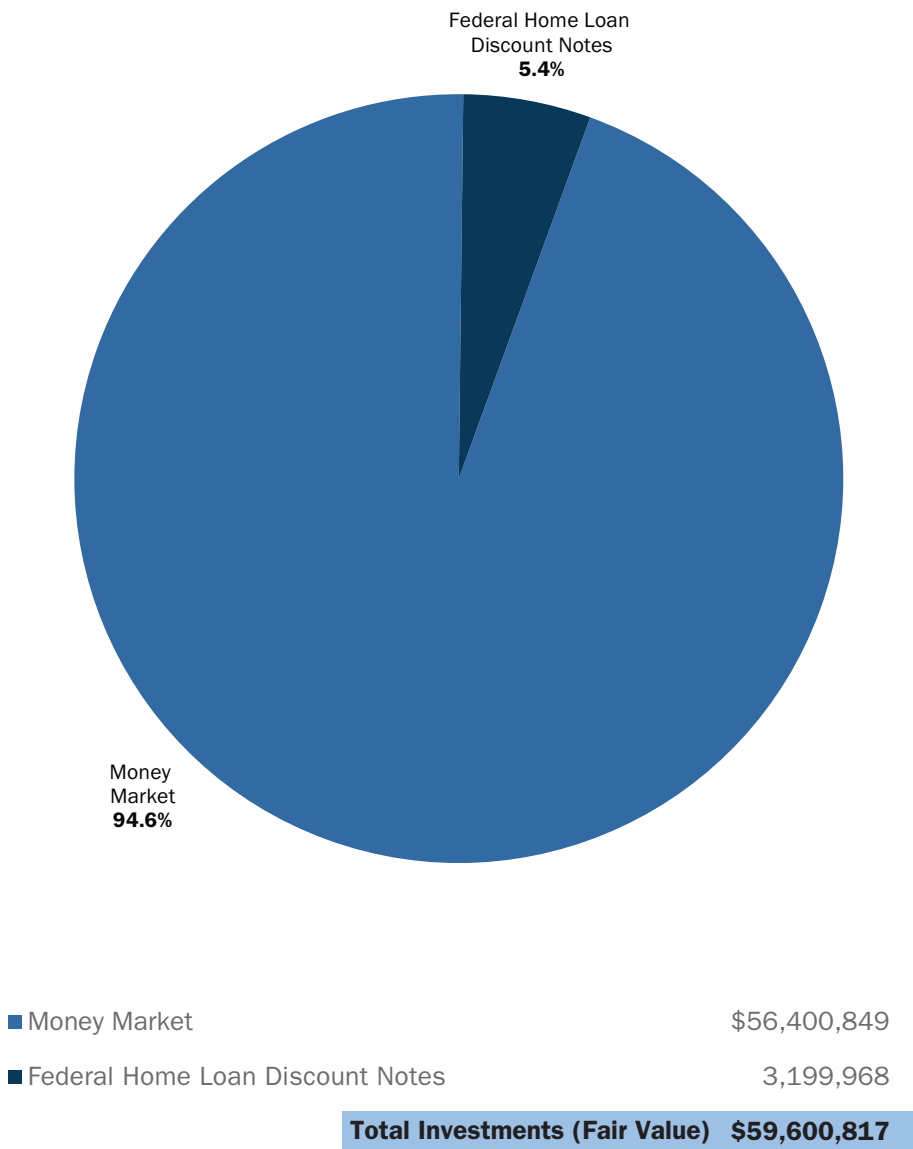
<sup>1</sup> For the quarter, \$0 was booked for changes in the Fair Value of investments. All investments are intended to be held to maturity.

Fair Values are reported on monthly account statements. Totals may not add up due to rounding.

# TxTag Schedule 2 – Maturity Distribution and Quarter End Comparison



# TxTag Schedule 3 – Investments by Security Type





# SH 249 System Funds

## MANAGEMENT DISCUSSION

In 2019, the Texas Transportation Commission entered a Master Trust Agreement securing toll revenue obligations related to the financing of the SH 249 System. Investments are held by U.S. Bank National Association as Trustee.

Suitable investments have been determined using the following criteria and priorities pursuant to the Commission's investment policy and the SH 249 System investment strategy:

- 1) Suitability of the investment to the financial requirements of the entity;
- 2) Preservation and safety of principal;
- 3) Liquidity;
- 4) Marketability of the investment if the need arises to liquidate the investment before maturity;
- 5) Diversification of the investment portfolio; and
- 6) Yield.

## INVESTMENT ACTIVITY

Interest and investment income for the quarter: \$128,550, yield 0.84%.

## CURRENT STRATEGY

Investment of this portfolio is largely based on the cash flow projections for bond proceeds.

The strategy is guided by the following principles: safety of principal, liquidity, and yield, in that order.

## CURRENT MARKET CONDITIONS

U.S. Treasury yields reflect monthly averages for February 2021 as posted by the Federal Reserve.

- 3-Month Treasury: 0.04%
- 6-Month Treasury: 0.06%
- 1-Year Treasury: 0.07%
- 2-Year Treasury: 0.12%

# SH 249 Schedule 1 – Investments

Income for Quarter: \$128,550  
Yield for Quarter: 0.84%

Description	Yield	Maturity Date	Book Value	Fair Value <sup>1</sup>
<i>Liquid Investments</i>				
Fidelity Treasury Portfolio	0.01%	N/A	\$ 211,134	\$ 211,134
Goldman Treasury Portfolio	0.03%	N/A	5,832	5,832
Morgan Stanley Treasury Portfolio	0.03%	N/A	45,002	45,002
TexPool Local Government Investment Pool <sup>2</sup>	0.04%	N/A	32,993,818	32,993,818

## *U.S. Government Securities*

U.S. Treasury Notes	1.52%	03/31/21	10,009,700	10,009,700
U.S. Treasury Notes	0.45%	07/31/21	4,036,880	4,036,880
U.S. Treasury Notes	0.45%	07/31/21	10,092,200	10,092,200

\$	57,394,566	\$	57,394,566
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### Notes:

<sup>1</sup> For the quarter, (\$113,911) was booked for changes in the Fair Value of investments. All investments are intended to be held to maturity.

<sup>2</sup> This local government investment pool seek to maintain a one dollar per share as required by the Texas Public Funds Investment Act.

Fair Values are reported on monthly account statements. Totals may not add up due to rounding.

# SH 249 Schedule 2 – Allocation by Account

11/30/20

Description	Construction Account	2019A Capitalized Interest Account	2019A First Tier Reserve Account	Taxable 2019B Capitalized Interest Account	Taxable 2019B First Tier Reserve Account	Rate Stabilization Fund	Portfolio Total
Fidelity Government MM	-	7	62,501	-	-	-	\$ 62,507
Goldman Sachs Government MM	-	-	-	-	-	2	\$ 2
Morgan Stanley Government MM	-	-	-	-	-	-	\$ -
TexPool Government	8,567,767	5,190,412	14,285,548	333,992	1,309,103	6,185,684	\$ 35,872,506
Federal Home Loan Discount Notes	-	-	-	-	-	-	\$ -
U.S. Treasury Bills	-	-	-	-	-	-	\$ -
U.S. Treasury Notes	-	13,755,244	10,039,100	300,987	-	4,057,360	\$ 28,152,691
<b>Totals</b>	<b>8,567,767</b>	<b>18,945,663</b>	<b>24,387,148</b>	<b>634,979</b>	<b>1,309,103</b>	<b>10,243,047</b>	<b>\$ 64,087,707</b>

2/28/21

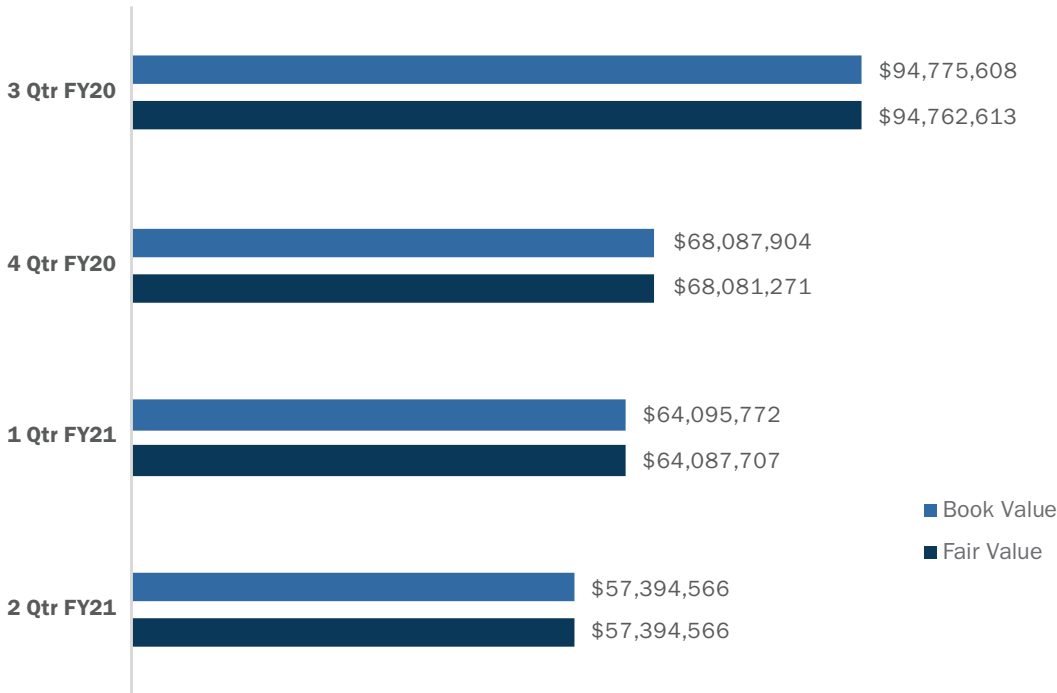
Description	Construction Account	2019A Capitalized Interest Account <sup>(A)</sup>	2019A First Tier Reserve Account	Taxable 2019B Capitalized Interest Account <sup>(B)</sup>	Taxable 2019B First Tier Reserve Account	Rate Stabilization Fund	Portfolio Total
Fidelity Government MM	-	148,632	62,502	-	-	-	\$ 211,134
Goldman Sachs Government MM	-	-	-	-	-	45,002	\$ 45,002
Morgan Stanley Government MM	-	-	-	5,832	-	-	\$ 5,832
TexPool Government	5,678,371	5,192,448	14,291,150	334,123	1,309,616	6,188,110	\$ 32,993,818
Federal Home Loan Discount Notes	-	-	-	-	-	-	\$ -
U.S. Treasury Bills	-	-	-	-	-	-	\$ -
U.S. Treasury Notes	-	10,092,200	10,009,700	-	-	4,036,880	\$ 24,138,780
<b>Totals</b>	<b>5,678,371</b>	<b>15,433,280</b>	<b>24,363,352</b>	<b>339,954</b>	<b>1,309,616</b>	<b>10,269,992</b>	<b>\$ 57,394,566</b>

Note <sup>(A)</sup> - In February, \$3.6 million in Capitalized Interest was paid.

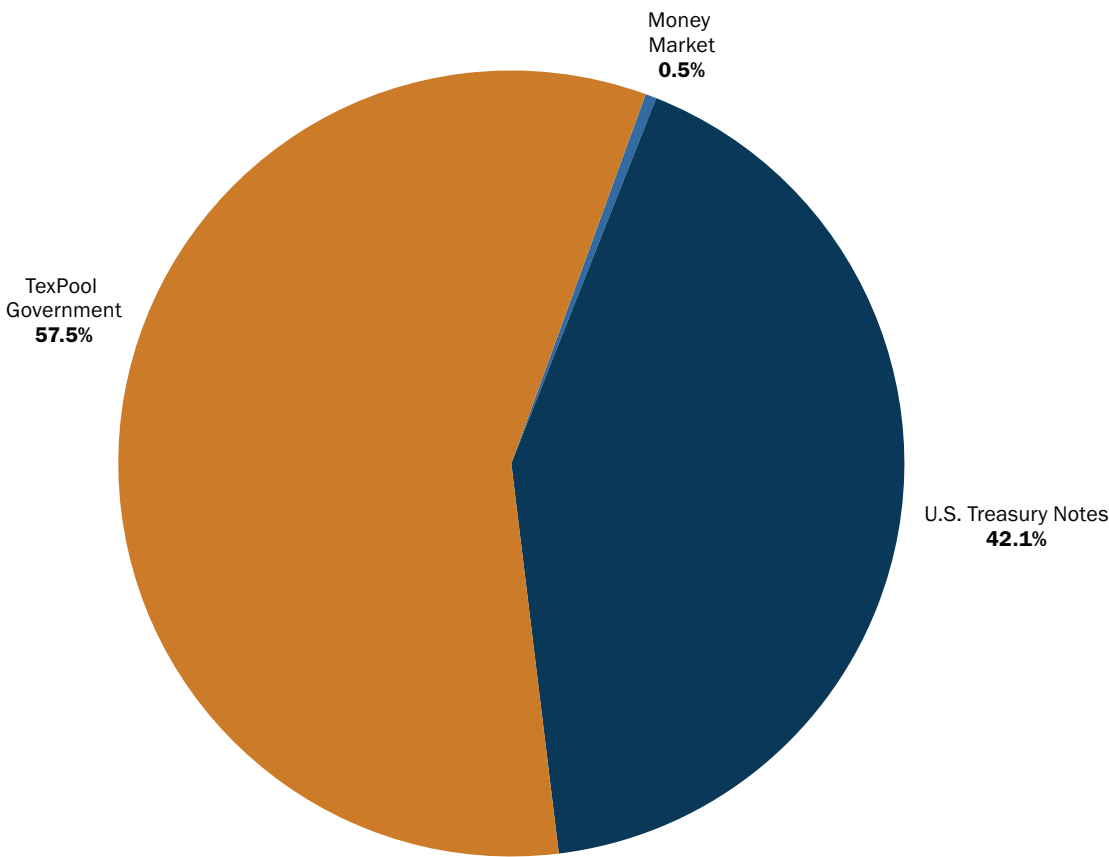
Note <sup>(B)</sup> - In February, \$297K in Capitalized Interest was paid.

Fair Values as reported on monthly account statements. Totals may not add up due to rounding.

# SH 249 Schedule 3 – Maturity Distribution and Quarter End Comparison



# SH 249 Schedule 4 – Investments by Security Type



■ Money Market	\$261,968
■ U.S. Treasury Notes	24,138,780
■ TexPool Government	32,993,818
<b>Total Investments (Fair Value) \$57,394,566</b>	

